

Paper ID: 264

Title: Financial Management PD Courses for Global Economy Engineers

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Keywords: Financial Management, PD Courses, Global Economy, Engineer

Abstract:

Financial management PD Courses for Global Economy Engineers

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It has been a tradition that engineers were responsible mostly for design, shop technology and processes. Nowadays with development of Global Economy this situation has been changed. The most important component of their objective duties steaming from a companys corporate strategy is their active participation in financial management. For competent financial management an enginner has to possess a profound insight of the managing business processes. Competent financial management is an engineers destiny.

At the end of 2000 the group of 28 leading world companies, including BP, Amoco, Mobil, Mitsubishi, Coca-Cola, Citibank, BASF and others have addressed Prime Minister of RF Government to improve investment climate and to increase inflow the financial capital into Russian economy. For this purpose it is necessary to undertake reforms in taxation and to adopt IFRS in short time. With participation of representatives of above companies the Foreign Investments Advisory Council (FIAC) in Russia was formed for reforms.

According to the conclusion of the Council in May 2001 the reform of Russian accountancy and financial reporting connected with adopting the international financial reporting standards was carried out not enough efficiently and with certain losses. Council considers realization of reforms in

accountancy and in financial reporting as one of the most important factors for stabilization of Russian economy.

Quantity of the companies with high shares cost owing to well debugged corporate management including conducting of the transparent accountancy according to the international regulations was extremely insignificant.

As it was remarked in 2001 one of the main reasons for that is a lack of specialists in Russia with necessary knowledge and practical skills for financial management and reporting.

A lack of the qualified employees has been a big problem. Where could be they taken from? And millions of the engineers who have been dismissed from science and industry began to be retrained in order to manage finances competently and to find themselves in new market conditions of the economic development. As a matter of fact nowadays we are the witnesses of the boom related to the engineers and scientists involvement into the financial management in such branches as banking, trading and industry.

By the way the situation in the external borrowings market has been developing dynamically since the time when LUKOIL Company became to be presented on the London Stock Exchange. The groups of the telecommunicating, trade, metallurgical and, of course, oil-and-gas companies have the increased capitalization by virtue of IPO. They increased the total capitalization of the all companies in the country and the Gross income has reached up to 1 trillion US dollars. Increasing growth of the quotations of Russian companies at London Stock exchange has been multiplied up many times since 2002 up to 2006! Analysts consider unprecedented success of turnover of 14,900,000,000 USD a month in January 2006.

Coming back to the date of the beginning of the reporting period its necessary to note that LUKOIL Co in September 2002 costed only 13,400,000,000 USD. (GASPROM Co, for example, costed only 18,800,000,000 USD, but today over 300,000,000,000 USD).

Total capitalization of all Russian companies at the end of 2002 was too low and was equal to capitalization of Coca-Cola Co alone: 105,500,000,000 USD

Share of oil & gas branch was 73,6 % in total capitalization of the country (share of oil branch in fund indexes was more than 83%).

At the market of professional development representatives of auditing companies were prevailed (24, 3%). Auditors prepared all work. They prepare the statement and they confirmed it too. This process was continuing for a long period of time.

Aspiration for knowledge and skills of International Financial Accounting of representatives in trade (21,6%) and in banks (12,6%) was explained by the International activity of these branches in new opened conditions of post-Soviet economy and by logical overflow of intellectual potential of the country from high-technological and science intensive production to there.

In accordance with Standard&Poor's data in 2005 oil & gas branch had 11% of Gross Domestic Product (GDP). In reality this rate is much less than 50%, because incomes of oil companies are often taken to consideration not according to their balance sheets but to balance sheets of affiliated trade companies. Analysts noted that this situation which is known as Holland illness (1960 natural gas in Netherlands was discovered) demonstrated risks of decreasing in competitiveness of the goods produced by not oil branches, because oil & gas branches have high level of capital output ratio. Their domination can restrict the growth of employment in economy. Domination of representatives of oil & gas branch among students our PD Courses (more than 33%) confirms all mentioned above.

Lag in development of not oil sector makes Russian economy and sovereign finances dependable on rippling of prices for hydro-carbonic raw material. Its necessary to smooth potential negative results of

falling of the prices for oil.

Analysts remark that this issue can be solved by strong budget policy and by virtue of improving of investing climate in the country.

Development of investing activity in the country confirms the necessity to form serious professional requirements to the staff, to their qualifications and quantity of well educated employees.

In accordance with data of Russian PKF partner (February, 2003) the total need of companies in specialists of International financial accounting and of management was 4000 persons, total quantity of accountants in Russia is estimated as 4.0 - 4.5 m persons. It was predicted that growth of need for the internationally certified specialists could be up to 20-30 thousand persons.

Almost four years passed and in accordance with the data of the same source nowadays Russia needs about 50,000 specialists in financial management and international accountancy. We think that this figure is too high in spite of the total announced quantity of the accountants in Russia of 7 m persons. Regions and branches in our country are developing irregularly. Thus needs in staff with international knowledge and skills are not the same everywhere.

Nevertheless the tendency of growth of needs for specialists with international qualifications in finances has been confirmed.

Who are these specialists?

If to say about knowledge of financial accounting systems by our specialists, IFRS are accepted by leaders of 40 largest Russian companies. But first of all, this leadership is not unconditional. Secondly, qualification of financial specialist is based not only on some of the systems of IAS (IFRS), GAAP USA/UK or Russian national standards. Qualification of financial specialist is complex system of knowledge and skills in which Financial Accounting is only one of the important parts.

At that time specialists are differed in accordance with their positions and functions in their companies. In comparison with 2002 we see the growth the number of financial managers and analysts among students of our PD courses.

Nowadays a lot of specialists emphasize the importance of IFRS for transparency in business and correct corporate management. In accordance with the existing practice in the developed businesses, financial service should serve the achievement of the purposes put by corporate strategy.

Financial specialists, former engineers, should participate in preparation of the managerial decisions in favor of shareholders. But it's a complex issue!